

Message Text

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ACTION L-02

INFO OCT-01 EUR-12 ISO-00 SP-02 AID-05 EB-07 NSC-05

CIEP-01 TRSE-00 SS-15 STR-04 OMB-01 CEA-01 NEA-09

EA-06 H-02 IGA-01 OPIC-03 COME-00 CIAE-00 DODE-00

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FM AMEMBASSY BONN

TO SECSTATE WASHDC 9451

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E.O. 11652: N/A

TAGS: ETRD, GW, EAID

SUBJECT: THE IMPACT OF THE ARAB BOYCOTT ON FOREIGN
ASSISTANCE PROGRAMS IN THE MIDDLE EAST

REF: A) STATE 084891, B) BONN 05299

1. ECONOMIC COOPERATION MINISTRY OFFICIALS TOLD
EMBOFF THAT THEY WERE UNAWARE OF ANY CASE WHERE GERMAN
FIRM WAS PREVENTED FROM BIDDING ON A PROJECT
BECAUSE OF ITS INCLUSION ON THE BOYCOTT LIST.
LEHMANN, DIRECTOR OF OFFICE FOR POLICY QUESTIONS
IN TECHNICAL AND CAPITAL AID ADDED, HOWEVER, THAT
GERMAN FIRMS PROBABLY WOULD NOT ATTEMPT TO BID ON
PROJECTS WHERE THE BOYCOTT REGULATIONS WERE APPLICABLE.
THESE CASES WOULD NOT, OF COURSE, COME TO THE
GOVERNMENT'S ATTENTION.

2. AID OFFICIALS ADDED THAT THIS WAS A GENERAL
PROBLEM THAT THE FRG WOULD HAVE TO DEAL WITH.
BESIDES AID PROJECTS IN MIDDLE EASTERN COUNTRIES'
THIS PROBLEM WAS LIKELY TO SURFACE ON TRIANGULAR
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DEVELOPMENT PROJECTS AND OCCASIONALLY IN CONSORTIUM

PROJECTS. SOUTH ASIAN DESK OFFICER IN ECONOMIC COOPERATION MINISTRY MENTIONED FERTILIZER PLANT PROJECT IN SRI LANKA WHERE CONSORTIUM FINANCING MANAGED BY ADB INCLUDED FUNDS FROM FRG, OTHER WESTERN DONORS, AND KUWAITI FUND. PROJECT CONTRACT INCLUDED, AT KUWAITI INSISTENCE, A CLAUSE PROHIBITING BIDS FROM BOYCOTT FIRMS FOR THE PORTION FINANCED WITH KUWAITI MONEY. GIVEN THE SIZE AND NATURE OF THE PROJECT, AID OFFICIALS WERE SURPRISED THAT NO GERMAN FIRMS ON THE BOYCOTT LIST ATTEMPTED TO BID. WHILE THIS MAY BE MERE COINCIDENCE, IT COULD ALSO SUGGEST THAT SUCH FIRMS MAY SIMPLY BE STAYING AWAY.

3. MINISTRY OFFICIALS ADDED THAT, TO THEIR KNOWLEDGE, ARABS HAVE NEVER TRIED OPENLY TO INFLUENCE THE BIDDING ON PORTIONS FINANCED BY OTHER DONORS. BASED UPON HIS EXPERIENCE IN DEALING WITH ARAB DONORS, SOUTH ASIAN DESK OFFICER, SPEAKING PERSONALLY, EXPRESSED THE VIEW THAT IN THE FUTURE THESE DONORS, ESPECIALLY THE KUWAITIS, PROBABLY WOULD NOT, AS A GENERAL PRACTICE, ATTEMPT TO INFLUENCE THE BIDDING ON PROJECTS OR SEGMENTS OF PROJECTS FINANCED BY OTHER DONORS.

4. WHEN ASKED WHAT THE GERMAN POSITION WOULD BE IF A BOYCOTTED GERMAN FIRM WAS DENIED THE OPPORTUNITY TO BID, ECONOMIC COOPERATION MINISTRY SOURCE REPLIED THAT THE FEDERAL REPUBLIC COULD NOT ACCEPT SUCH A SITUATION FOR BOTH POLITICAL AND ECONOMIC REASONS. HE ADDED THAT SUCH A DEVELOPMENT WOULD LEAD TO A REVIEW OF AID POLICY TO THE RECIPIENT NATION, OR, IN THE CASE OF CONSORTIUM PROJECTS IN NON-ARAB NATIONS, TO A REVIEW OF GERMAN PARTICIPATION IN THE CONSORTIUM.

5. LEHMANN USED THE OCCASION TO SUGGEST THAT WESTERN DONORS SHOULD INFORMALLY COORDINATE THEIR POSITIONS ON THIS QUESTION. HE WOULD WELCOME THE OPPORTUNITY TO DISCUSS THE MATTER WITH LIMITED OFFICIAL USE

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RESPONSIBLE US OFFICIALS, OR IF THIS IS NOT POSSIBLE, TO AT LEAST BE KEPT INFORMED ON US VIEWS.

6. CONCERNING PUBLIC STATEMENTS ON THE GOVERNMENT ATTITUDE TOWARD THE BOYCOTT, REFTEL B CONTAINS THE LATEST AVAILABLE STATEMENT ON THIS TOPIC.
HILLENBRAND

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